

EXECUTIVE SUMMARY

PURPOSE

This report provides information on inappropriate billings and payments for incontinence supplies in the Medicaid program.

BACKGROUND

The Medicaid program is jointly-funded by Federal and State Governments to provide medical care for low-income individuals. The program is administered by the Health Care Financing Administration (HCFA) under authority of Title XIX of the Social Security Act. In Fiscal Year 1993, Medicaid expenditures totaled approximately \$126 billion for 33 million recipients.

The Medicaid program varies considerably in each State. Within broad national guidelines, States establish eligibility, coverage, claims processing, and payment policies. Some Medicaid recipients are eligible for Medicare in addition to their Medicaid coverage. In these instances, Medicare is the primary payer for covered services. In accordance with a State's particular plan, Medicaid assumes responsibility for the recipients' premiums, deductibles, and coinsurances. Payments made by Medicaid for these dually eligible individuals are called "crossover" payments.

Incontinence is the inability to control urinary and bowel functions. Under the Medicaid program, States have the option to cover incontinence care supplies and related equipment. Based on prescriptions furnished by patients' physicians, such supplies and equipment could include disposable pads, irrigation syringes, saline solutions, and collection devices.

We recently reviewed Medicare payments for incontinence supplies. We found that questionable billing practices may have accounted for almost \$100 million or half of incontinence allowances in 1993. We also found that suppliers engage in questionable marketing practices to nursing homes and that Medicare beneficiaries may be receiving unnecessary or noncovered supplies. We conducted this current review to inform HCFA if similar practices existed in the Medicaid program. We concentrated on 14 States which represent approximately 76 percent of 1993 Medicare payments for incontinence supplies.

This inspection was conducted as part of "Operation Restore Trust," a pilot program that coordinates Federal, State, and local anti-fraud activity in five States. The program will target abuses in home health agencies, nursing facilities, and durable medical equipment, including incontinence supplies.

FINDINGS

Half of the States in our sample identified improper Medicaid billings for incontinence supplies.

Seven Medicaid State agencies encountered improper billings for incontinence devices and supplies. These States identified a wide variety of improper claims such as billings for recipients who were not incontinent, billings for supplies that were never delivered, and billings for excessive quantities of diapers for nursing home patients. Overpayment amounts identified included \$107 million in California and almost \$2 million in New York.

States do not generally review the appropriateness or necessity of incontinence services paid by them on crossover.

States do not generally review the appropriateness or necessity of their crossover payments. Since Medicare, as the primary payer, has made the payment determination, many States accept Medicare's decisions as valid and do not question the propriety of such payments.

Medicare does not require carriers to notify Medicaid State agencies of improper Medicare payments made on behalf of Medicaid beneficiaries.

The Medicare program does not have guidelines requiring carriers to notify Medicaid State agencies of improper Medicare payments. Thus, States are often unaware of improper crossover payments, and, as a result, may be unable to collect inappropriately paid Medicaid monies.

RECOMMENDATIONS

We recommend that HCFA (1) alert Medicaid State agencies about this vulnerability regarding incontinence supplies, and (2) take appropriate steps to ensure that Medicaid State agencies are notified of improper Medicare payments which contractors discover have been made on behalf of a Medicaid beneficiary.

While this report is limited to a review of Medicaid payments for incontinence supplies, we believe that the problems identified associated with potentially improper crossover payments are not limited to these supplies. If Medicaid State agencies are not informed of the existence of improper Medicare payments on behalf of a Medicaid beneficiary, Medicaid is powerless to avoid or recoup the related improper Medicaid crossover payment. Thus, our second recommendation is applicable to all Medicare services provided to Medicaid recipients, not just incontinence supplies.

We cannot precisely estimate the dollar savings to the Medicaid program that would result from implementing these recommendations, but, based on the information we have gathered it probably amounts to several million dollars per year.

AGENCY COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE

We appreciate HCFA's positive response to our recommendations. The HCFA plans to focus attention on this matter as part of their overall fraud and abuse prevention and detection strategy. Additionally, they plan to amend the Medicare Carriers Manual to require that carriers notify Medicaid State agencies about improper payments made on behalf of Medicaid beneficiaries. We support HCFA in these initiatives. The full text of HCFA's comments can be found in Appendix A.